The Water Finance Clearinghouse is updated in real-time, following a crowdsourcing model. States, federal agencies, and other water sector stakeholders can suggest edits and new resources or funding options at any time through the Contributor Portal. Stakeholders can use this interactive feature to manage how their programs and initiatives are displayed in the Clearinghouse.

# 6 RECOMMENDATIONS

Based on this summary report of impediments to funding stormwater programs and potential funding programs and opportunities, the following recommendations will facilitate the State Water Board's support of funding stormwater programs. The recommendations have been listed in order of prioritization considering timeliness, likely attainment, and value to stormwater funding objectives.

The scope of the following recommendations is limited to the State Water Board. There may be additional opportunities to improve access to stormwater funding outside the purview of the State Water Board that are not addressed in this report.

## 6.1 TRACK STATE LEGISLATION AND STORMWATER FEE DEVELOPMENT

Proposition 218 remains a significant impediment for many municipalities to develop a stormwater fee structure. Without a municipal stormwater fee in place, agencies cannot support the development of a variety of stormwater management projects or leverage the CWSRF loan program. The CWSRF requires a dedicated source of revenue for loan repayment. Alternatively, many grant programs or loan forgiveness options still require matching funds, so without a stormwater funding source, the funds would likely come from a municipal general fund at the expense of other services.

The passage of SB-231 recognizes the existing stormwater connection with water, sewage, and refuse services, and it clarifies the definition of "sewer" in the Proposition 218 language as inclusive of storm sewers. This legislation grants stormwater fees the same level of exemptions from the Proposition 218 process that water, sewer, and solid waste have been granted; however, the initial implementation of SB-231 will likely couple a stormwater management project with a water, sewer or refuse multiple benefit project. As the legislation is implemented, municipalities may pursue the development of a dedicated stormwater fee, but the application of the law is still perceived as uncharted territory.

**Recommendation 1**: Water Board staff should continue to track efforts to address the Proposition 218 stormwater fee impediment. Even with the passage of SB-231, the process is still untested and still needs continued tracking to verify the effectiveness in the legislation.

Water Board staff should disseminate information regarding any modifications to the Proposition 218 requirements. The State Water Board should develop resources related to navigating the Proposition 218 process and revise as necessary, to take into account changes in applicable law.

## 6.2 SUPPORT DRINKING WATER STATE REVOLVING FUND PILOT PROJECT

DWSRF eligible projects include the development, protection, and enhancement of water supplies. In alignment with the STORMS motto of 'Stormwater is a Resource,' there are opportunities to capture and use stormwater with other sources of water for aquifer recharge projects. This opportunity is supported by the passage of AB-2403, which modified the definition of water, as defined within Proposition 218, to

mean water "from any source." Currently, Water Board staff are providing support for submittals of DWSRF stormwater capture and use pilot project applications. If any of these pilot projects are funded through the DWSRF, it will be the first in California.

There are additional eligible projects currently under development that propose to blend stormwater capture water with other groundwater recharge efforts. A dedicated effort to support additional pilot stormwater capture and use projects through the DWSRF process would provide much needed testing of the process and potentially provide a framework for additional future projects.

**Recommendation 2**: Water Board staff should continue internal collaboration in navigating stormwater and dry weather flow capture projects through the DWSRF loan process and leverage the data collected from the project to support similar projects. The pilot project will identify the impediments and challenges that need to be addressed to improve the feasibility of funding stormwater and dry weather flow capture projects with the DWSRF.

## 6.3 Support the CASQA Stormwater Program Funding Resources Webpage

The process of developing a stormwater utility, fee rate structure, and proceeding through the Proposition 218 process remains uncharted territory for many municipalities throughout California. To support stormwater funding needs, CASQA has proposed developing a website dedicated to stormwater funding with resources outlining the process for developing a stormwater utility, including procedures and recommendations for a fee rate structure and navigating the Proposition 218 process.

**Recommendation 3:** The Water Boards should support the development and maintenance of the CASQA website content by collaborating with CASQA, reviewing content, and assisting to make sure the website is serving the need. As stormwater utility needs continue to evolve, the information will need to be updated. The Proposition 218 process may be impacted by future litigation, so the conclusion and interpretation of those legal cases should be conveyed through the CASQA website.

## 6.4 Assist with Resources for Stormwater Public Messaging Efforts

It is widely recognized that the difficulties stormwater programs have encountered in attempting to build public and elected official support and securing fee funding authority and other program funding are associated, in part, with difficulties in explaining the value of stormwater programs and the need to adequately fund them. U.S. EPA and local stormwater programs are interested in improving their abilities to effectively communicate the value of stormwater management and would like to develop useable tools to assist in improved communication concerning stormwater values.

**Recommendation 4:** The Water Boards should coordinate with U.S. EPA and relevant stakeholders to develop a proposal for outreach and messaging to the public regarding stormwater program needs/benefits and support ongoing efforts to effectively message to the public about needs for and value of clean water and its relationship to stormwater management in partnership with stormwater stakeholders and leverage the CASQA website referenced in section 6.3. The Water Boards should coordinate with U.S. EPA to evaluate relevant literature regarding water program marketing and messaging to identify recommended communication methodologies and approaches to be avoided. The effort should include the preparation of case studies illustrating how the programs carried out messaging and marketing and why they were successful or unsuccessful. These efforts may also include developing templates for local ordinances that encourage or require low impact development and green

infrastructure for new or redevelopment. Alternatively, a pilot effort with interested communities could be developed to evaluate guidance developed to support local messaging and legitimize the needs for stormwater management strategies.

## 6.5 Advocate for Clean Water State Revolving Fund Accessibility

The CWSRF program has a strong history of success funding wastewater and water recycling facilities with traditional low-interest loan terms. For projects such as non-point source stormwater management projects that lack a dedicated source of revenue required to secure a CWSRF loan, the CWSRF may enact alternative financing options that satisfy both State and federal requirements. There are also a variety of federal State and federal funding programs that could be leveraged to fund multiple benefit stormwater management projects in California; however potential borrowers appear to lack the general awareness or capacity to leverage these alternative funding programs.

**Recommendation 5**: Although the CWSRF is currently substantially oversubscribed, Water Board staff can propose additional ways to market the CWSRF program, in an effort to encourage potential borrowers to submit non-point source (stormwater management) project applications. Water Board staff should remain engaged with U.S. EPA to learn about and discuss some of the creative solutions utilized in other states. There are varieties of approaches that have been utilized in other states. Consideration should be given to loan guarantee options, project sponsorship through principle forgiveness, and collaboration with public private partnerships utilizing some of the assistance options allowed:

- Loan Guarantee (Linked Deposit);
- Securitize SRF debt obligations;
- Technical assistance to borrowers needing administrative assistance; or
- Additional subsidization options in addition to principal forgiveness.

The Water Boards can improve overall awareness of the needs of stormwater projects with a goal of marketing to, and attracting potential borrowers to submit project applications for consideration during the annual IUP process.

The Water Boards should continue to promote alternative or complementary funding sources through the CWSRF and any stormwater management eligible grant funding program. The federal funding programs can be referenced as part of the CASQA Stormwater Funding website, and references to the U.S. EPA's Water Finance Clearinghouse website should be made on the DFA website. Water Board staff should remain actively engaged with the Water Finance Clearinghouse as a contributor and maintain the information on the Clearinghouse website.

## 6.6 Support Development of GHG Reduction Quantification Methodology for Stormwater Capture and Use

The GGRF is a significant funding source that provides allocations to programs targeting GHG reduction or offsetting opportunities. For a stormwater project to be eligible for funding from the GGRF, there needs to be a quantification methodology certified by ARB demonstrating the GHG reduction. While there is a logical GHG reduction connection between stormwater capture and use and the reduced energy use resulting from offsetting water transfer energy consumption, there is no existing methodology for calculating the associated GHG reductions.

**Recommendation 6:** The Water Boards should coordinate with ARB to complete the development of the stormwater capture and use quantification methodology demonstrating that stormwater capture creates a predictable supply offset sufficient to address the needs of water districts. The appropriate support may be through the allocation of staff resources to develop the water transfer offsetting tracking and verification of GHG reduction.

## 6.7 Assist in Building Local Resource Capacity

Because of the slow progress in developing stormwater management programs in California, there remains a lack of foundational knowledge for estimating the costs associated with stormwater management. The costs associated with the long-term planning of a stormwater program and implementation plan are difficult to support due to limited references, and if a municipality decides to pursue a stormwater fee, the costs associated with developing the ballot measure are also difficult to support. There are also highly variable costs for stormwater management projects that make it difficult for municipalities to forecast their project funding needs. There is potential to develop financial guidance information covering stormwater management needs that could be a valuable resource for municipal planning efforts and long-term operation and management requirements.

In addition, two of the March 2018 California State Auditor Report's key recommendations were that the State Water Board should: 1) develop guidance for regional boards to document estimates of the costs local jurisdictions will incur to comply with pollutant control plans, and 2) develop guidance for local jurisdictions on methods for tracking the cost of stormwater management.

**Recommendation 7:** The Water Boards should coordinate with U.S. EPA's ongoing efforts to support development of municipal financial guidance for developing a stormwater management program and implementation plan. The financial guidance should include cost estimation tools for stormwater management BMPs, including both capital and long-term operation and maintenance costs, to assist with project cost estimation, including information applicable to specific California regions.

The Water Boards should also consider the development of a permanent circuit rider program to assist individual stormwater programs in financial planning, assessment of financial capacity and funding sources, long-term program needs, and potential for innovative financing strategies at the local level.

## 6.8 Evolve Municipal Separate Storm Sewer System Permits

MS4 permits are typically structured with defined compliance pathways that may restrict creative approaches to funding stormwater management projects, and MS4 permits do not typically incentivize the development of long-term financial planning and associated asset management. When MS4 permit requirements evolve in subsequent orders, it can undermine a municipality's ability to develop long-term stormwater program planning and financing strategies.

The San Diego Regional 2013 MS4 Permit offers an Offsite Alternative Compliance Program that has potential for broader application statewide. The flexibility of Priority Development Projects to satisfy onsite structural BMP performance requirements may be an effective approach to develop sustainable stormwater management projects that could be further explored for broader application. The establishment a broader Offsite Alternative Compliance Program as a viable MS4 compliance tool would likely be a welcome addition to long-term program planning and financing considerations.

**Recommendation 8**: The Water Boards should collaborate with U.S. EPA to develop specific guidance for the incorporation of credit trading language into the MS4 and industrial stormwater permits to provide clear regulatory requirements and long-term accountability. The permitting language should provide a defined compliance pathway for implementing an alternative approach to compliance with the options developed in coordination with the permittees. The San Diego Regional 2013 MS4 Permit Offsite Alternative Compliance Program should also be evaluated for potential application statewide.

The Water Boards should also collaborate with U.S. EPA to develop guidance on how to properly account for financial capability in setting schedules for permit compliance to support long-term planning stability.

Two projects are intended to partially address this recommendation in Phase II of the Stormwater Strategy: *Develop and Establish a Monetary Value of Stormwater* (1d), and *Increase Stakeholder Collaboration to Promote Stormwater as a Resource* (2a).

# 7 CONCLUSION

The need to address financial impediments to stormwater management projects is widely recognized by stakeholders and actively being addressed by U.S. EPA, the California legislature, and the largest municipalities in California. There are many stakeholder groups that continue to organize meetings and workgroups to collaborate on financing stormwater management projects. The groups understand that improved stormwater management remains a relatively new priority in California water management, among existing priorities for drinking water, wastewater, recycled water, and flood control. While the meetings have brought together a variety of stakeholders and expertise to discuss these issues, there are still multiple groups working independently and in parallel to create an improved funding path for stormwater management and multiple benefit projects.

As an important first step in improving access to funding, stakeholders need to continue raising awareness through improved messaging to elected officials and the agencies responsible for management of the potential funding programs. While the Proposition 218 impediment remains outside the purview of the State Water Board, there are several opportunities for the State Water Board to support improvements to stormwater funding options, as described in this report. However, due to the limited amount of available funding sources compared to the level of need, and the State Water Board's limited capacities, the burden ultimately falls on the municipalities to establish dedicated, sustainable, funding sources to finance stormwater programs.

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# APPENDICES

# APPENDIX A: LEGISLATIVE HISTORY

## a. ASSEMBLY BILL NO. 2403; LOCAL GOVERNMENT FEES

Assembly Bill No. 2403 ((2013-2014) Chapter 78, an Act to amend section 53750 of the Government Code, relating to local government) (AB-2403) was authored by Assemblymember Anthony Rendon and was filed with the Secretary of State on June 28, 2014. AB-2403 modifies the definition of water as defined within Proposition 218 to mean water "from any source," as well as makes legislative findings and declarations in this regard. This bill codifies the legal path for a water purveyor to seek exemption from the Prop 218 requirements for stormwater capture and treatment for groundwater recharge, where the objective is to supplement groundwater supply. This legislative effort was initiated by the case of *Griffith v. Pajaro Valley Water Management Agency* (2013) 220 Cal.App.4th 586 (163 Cal.Rptr.3d 243), which concluded that the Pajaro Valley Groundwater Management Agency is authorized to levy charges on the extraction of groundwater "for the purposes of paying the costs of purchasing, capturing, storing, and distributing supplemental water for use within the [Agency's boundaries]."

Currently, even with the language updated for the Proposition 218 exemptions, there are no known examples to leverage the exemption by a water purveyor. There is likely still a perception that any effort to proceed under the revised exemption will result in a legal challenge.

## b. SENATE BILL NO. 985; STORMWATER RESOURCE PLANNING

Senate Bill No. 985 ((2013-2014) Chapter 555) (SB-985) was authored by Senator Fran Pavley and was filed with the Secretary of State on September 25, 2014. SB-985 requires the development of a Stormwater Resource Plan and compliance with certain provisions to receive grants for stormwater and dry weather runoff capture projects from any bond act approved by the voters after January 1, 2014, except as provided. This bill requires the Stormwater Resource Plan to be submitted to any applicable regional water management group, to identify and prioritize stormwater and dry weather runoff capture projects for implementation in a prescribed quantitative manner, and to prioritize the use of lands or easements in public ownership for stormwater and dry weather runoff projects. Stormwater Resource Plans are required to identify opportunities to use existing publicly owned lands and easements to capture, clean, store, and use stormwater and dry weather runoff either onsite or offsite. This bill defines dry weather runoff and stormwater and conforms with the definition of stormwater in the Rainwater Capture Act of 2012. Furthermore, SB-985 required the State Water Board to establish guidance for preparing Stormwater Resource Plans. The State Water Board approved the Stormwater Resource Plan Guidelines on December 15, 2015.

## c. SENATE BILL NO. 485; LOS ANGELES COUNTY SANITATION DISTRICTS

Senate Bill No. 485 ((2015-2016) Chapter 678, an Act to add section 4730.68 to the Health and Safety Code, relating to public sanitation) (SB-485), the County Sanitation District Act, was authored by Senator Ed Hernandez and was filed with the Secretary of State on October 9, 2015.The County Sanitation District Act authorizes specified sanitation districts in the County of Los Angeles to acquire, construct, operate, maintain, and furnish facilities for the diversion, management, and treatment of stormwater and dry weather runoff, the discharge of the water to the stormwater drainage system, and the beneficial use of the water. The bill requires a district to consult with the Los Angeles County Flood Control District and the relevant Watermaster, or water replenishment district, prior to initiating a

stormwater or dry weather runoff program within the boundaries of an adjudicated groundwater basin or within the service area of a water replenishment district, as applicable. SB-485also made legislative findings and declarations as to the necessity of a special statute for the County of Los Angeles.

### d. Senate Bill No. 1260; Online Resource Center

Senate Bill No. 1260 ((2015-2016) Chapter 153, an Act to add section 13383.9 to the Water Code, related to stormwater) (SB-1260) was authored by Senator Ben Allen and was filed with the Secretary of State on August 19, 2016.This bill requires the State Water Board to establish an online resource center that addresses measures available for municipalities to comply with municipal stormwater permit requirements and authorizes the inclusion of certain information. The online resource center has potential to be developed into a stormwater funding resource center along with the permit requirements.

### e. Assembly Joint Resolution No. 44; Federal Financial Support

Assembly Joint Resolution No. 44 ((2015-2016) Chapter 145) (AJR-44) urges the federal government to provide greater financial support for local agencies implementing a federal mandate to improve stormwater quality, including, but not limited to, by passing legislation strengthening the CWSRF and creating new grant programs to assist in funding stormwater projects. AJR-44 was authored by Assemblymember Chris Holden and was filed with the Secretary of State on August 25, 2016.

### f. Assembly Bill No. 2594; Use of Captured Stormwater

Assembly Bill No. 2594 ((2015-2016) Chapter 526) (AB-2594) authorizes a public entity that captures stormwater from urban areas, in accordance with a Stormwater Resource Plan, before the water reaches a natural channel to use the captured water under certain circumstances. AB-2594 was authored by Assemblymember Rich Gordon and was filed with the Secretary of State on September 23, 2016.

### g. Senate Bill No. 1; Transportation Funding

Senate Bill No. 1 ((2017-2018) Chapter 5) (SB-1) was authored by Senator Beall and was filed by the Secretary of State on April 28, 2017. The bill created the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system, and the local street and road system. The bill provides various funds for the Road Maintenance and Rehabilitation Account, including revenues attributable to a $0.12 per gallon increase in the motor vehicle fuel tax, 50% of a $0.20 per gallon increase in the diesel excise tax, a portion of a new transportation improvement fee imposed under the Vehicle License Fee Law with a varying fee between $25 and $175 based on vehicle value, and a new $100 annual vehicle registration fee applicable only to zero-emission vehicles model year 2020 and later.

Funds made available by the program shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects. Projects funded by the program will include Complete Street components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project.

## h. Senate Bill No. 231; Local Government Fees

Senate Bill No. 231 ((2017-2018) Chapter 536) (SB-231) was authored by Senator Hertzberg and was filed with the Secretary of State on October 6, 2017. Articles XIII C and XIII D of the California Constitution generally require that assessments, fees, and charges be submitted to property owners for approval or rejection after the provision of written notice and the holding of a public hearing. Existing law, the Proposition 218 Omnibus Implementation Act, prescribes specific procedures and parameters for local jurisdictions to comply with Articles XIII C and XIII D of the California Constitution and defines terms for these purposes.

This bill defines the term "sewer" for these purposes to be inclusive of stormwater. The bill also makes findings and declarations relating to the definition of the term "sewer" for these purposes.

## i. Senate Bill No. 5; California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018 (2018 Ballot Measure)

Senate Bill No. 5 ((2017-2018) Chapter 852) (SB-5) was authored by Senator De León and was filed with the Secretary of State on October 15, 2017. This bill would enact the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in an amount of $4,000,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program. The bill, upon voter approval, would reallocate $100,000,000 of the unissued bonds authorized for the purposes of Propositions 1, 40, and 84 to finance the purposes of a drought, water, parks, climate, coastal protection, and outdoor access for all program.

In Chapter 1. General Provisions, it states that grant funding guidelines shall encourage, where feasible, inclusion of "The capture of stormwater to reduce stormwater runoff, reduce water pollution, or recharge groundwater supplies, or a combination thereof." In Chapter 2. Investments in Environmental and Social Equity, Enhancing California's Disadvantaged Communities, it states, "When developing or revising criteria or guidelines for the grant program, the department may give additional consideration to projects that incorporate stormwater capture and storage or otherwise reduce stormwater pollution."

In Chapter 11.5. Flood Protection and Repair, it states, "one hundred million dollars ($100,000,000) shall be available to the Natural Resources Agency for competitive grants for the purposes of multiple benefit projects in urbanized areas to address flooding. Eligible projects shall include, but are not limited to, stormwater capture and reuse, planning and implementation of low-impact development, restoration of urban streams and watersheds, and increasing permeable surfaces to help reduce flooding."

In Chapter 11.6. Regional Sustainability for Drought and Groundwater, and Water Recycling, it states, "two hundred ninety million dollars ($290,000,000) shall be available, upon appropriation by the Legislature, for drought and groundwater investments to achieve regional sustainability. Expenditure of these funds may include planning, design, and implementation projects through competitive grants and loans for investments in groundwater recharge with surface water, stormwater, recycled water, and other conjunctive use projects, and projects to prevent or clean up contamination of groundwater that serves as a source of drinking water."

## j. U.S. Senate Bill No. 692; Water Infrastructure Flexibility Act – Pending

Senate Bill No. 692 (115th Cong. (2017-2018)) bill would require U.S. EPA to promote green infrastructure (measures like landscaping or permeable pavement that reduce stormwater flows into sewer systems or surface waters) by conducting outreach and training through the agency's regional offices. The bill also would establish an Office of the Municipal Ombudsman within U.S. EPA to provide technical assistance to municipalities seeking to comply with the Clean Water Act, to promote integrated planning as part of that act's permitting process, and to disseminate information to eligible entities about the availability of financial assistance. Finally, the bill would direct U.S. EPA to revise the factors that municipalities should consider when measuring the financial capability of households to pay for future investments in a community's water infrastructure.

# APPENDIX B: EXCERPT: LESSONS LEARNED[35] – CONTRA COSTA COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT CLEAN WATER INITIATIVE

April 24, 2012
(Updated November 14, 2013)

The following are lessons learned during the planning and implementation of the 2012 Community Clean Water Initiative in Contra Costa County. These lessons learned were gathered from interviewing staff involved in the funding initiative with the Flood Control District and Clean Water Program.

1. Have someone on the consultant interview panel that has experience in the elections process.
2. Talk to other agencies that have gone through the process during the project planning phase.
3. Amend the Flood Control District Act to better defend a property related fee and provide more funding flexibility.
4. Is a 54% survey result enough to go forward with an election? What is an appropriate factor of safety?
5. Was a countywide approach a viable model? Should a different approach, such as regional elections be implemented? Were we too committed to a countywide election?
6. Better ways to track costs are needed for our stormwater permit (MRP) activities so we have better data to explain our need for funding.
7. Not submitting ballots to the Elections Office was a problem. Need to go through the Elections Office or do a better job of informing people of the property owner ballot process. Registered voter process as opposed to property owner process.
8. Ballots had to be signed by the property owner per law, which created a problem for some people. Need better informational material on the process and compare with other similar processes that have signature requirements that people may be more familiar with.
9. There was no pro/con argument in the ballot packet, which was not required by law. Need better description/information on the process. What can we do, what are the limitations for us to do a pro/con argument?
10. Our "PR" campaign started too late. It should have started way before the notice of public hearing. We should have tapped into our connections with creek groups better and earlier. Should we hold public debates or a voter's forum instead?
11. We had no champion. We need to engage creek groups early on before the election process to be our champions after election process starts. We also needed cities to champion the election.
12. We had no succinct talking points. Need to develop 3 key talking points that resonate with people and keep repeating them.
13. A lot of questions were asked about the legality of the election process. Need to hire an attorney/professor/judge to write up an informational piece on the legal requirements.
14. The local newspaper mounted a vigorous opposition to the initiative. Need to bring in our PIO early on to talk to media up front.

[35] http://www.co.contra-costa.ca.us/DocumentCenter/View/35876

15. There was a sentiment that the Regional Board is unreasonable and the MRP should be changed/modified. Need to bring in the Regional Board to discuss the MRP. Why it is required and why county/cities have permit requirements.
16. There was confusion as to what the fee would be spent on. Need better communication on a project list and what the fee will pay for. Also, need some "sexy" projects that resonate with the public.
17. There was no full disclosure of the existing Stormwater Utility Assessment during the election. Need to think of how to communicate this out to the public.
18. Not all cities supported the election. Need a resolution of support from each city before the election process begins.
19. It wasn't clear to the public why we were using a property related fee. We need to have a better informational mailer about this.
20. There was some reported confusion by people not being able to determine their assessment from the ballot. This might have been a problem more for commercial parcels. Need to make sure the ballot language is crystal clear on how the property fee is calculated.

# APPENDIX C: CITY OF PALO ALTO NEW STORMWATER MANAGEMENT FEE[36]

**2017 Stormwater Management Fee Ballot Measure Passes**

In April 2017, Palo Alto property owners voted to approve a new Stormwater Management fee that will replace the City's existing Storm Drainage fee. A typical homeowner will pay about $13.65 per month, effective June 1, 2017. The Stormwater Management fee will be included on the monthly utility bill and represents a 62-cent increase for a typical property. The fee was approved by approximately 64 percent of those submitted with 50 percent needed to pass.

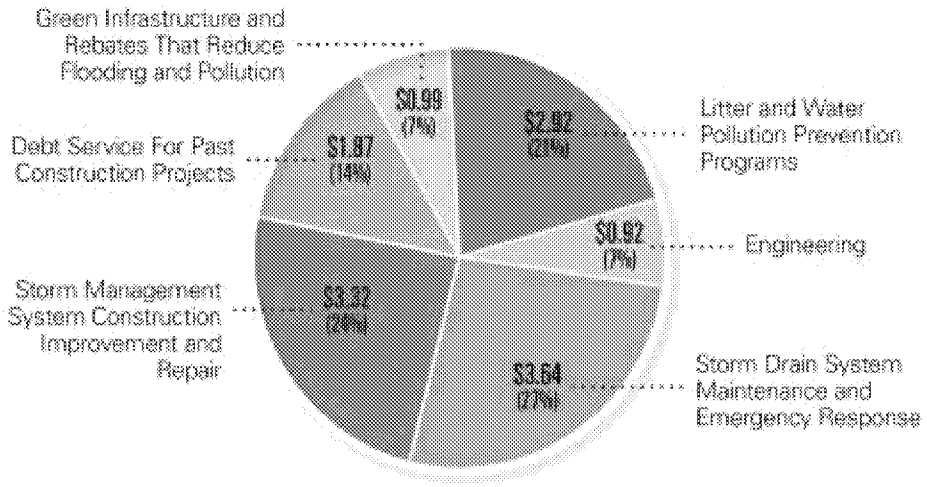
The Stormwater Management Program funds routine water system maintenance and operation that keep the City's stormwater infrastructure clean and at peak performance, and provides for stormwater system improvements that prevent street flooding. The program also provides litter reduction, creek pollution prevention programs, commercial and residential rebates, and flooding emergency- response services. Constructing Green Infrastructure Projects is a new priority which includes infiltrating and cleansing stormwater to decrease peak flows to the conveyance system.

The new Fee includes two components:
1. A Base component of $7.48 per "Equivalent Residential Unit (ERU) per month. This portion of the Fee will pay for ongoing expenditures associated with stormwater system maintenance, engineering design and analysis of rehabilitation projects, litter and water pollution prevention programs and regulatory compliance. This component is an ongoing fee and is subject to an annual City Council-approved adjustment for inflation (see FAQs below for more information about ERUs and inflation adjustments);

2. A projects and infrastructure component of $6.17 per ERU per month. This portion of the fee will initially generate $3.1 million annually for new stormwater system capacity improvements, system upgrades, and green stormwater infrastructure projects. This component is subject to an annual City Council-approved adjustment for inflation and would end in 15 years (on June 1, 2032) unless extended by a subsequent ballot measure. Revenue from this fee component will fund:
- $1,281,000 in the initial year for storm drain system capacity improvements. Over the 15-year life of the ballot measure, it is projected that there will be adequate funding for approximately 13 projects with a present-day value of $23.8 million;
- $947,000 for debt service for past storm system improvements through FY 2024;
- $400,000 annually for stormwater system replacement and rehabilitation;
- $375,000 annually for green stormwater infrastructure projects; and
- $125,000 annually for residential and commercial rebates for installing green stormwater infrastructure measures such as of cisterns, rain barrels, pervious paving and green roofs.

[36] http://www.cityofpaloalto.org/news/displaynews.asp?NewsID=3679&TargetID=146

## SERVICES THAT WILL BE PROVIDED BY 2017 STORM WATER MANAGEMENT FEE




**Timeline**

1/1/16 City Manager, Jim Keene, appoints Blue Ribbon Stormwater Committee
8/29/16 Palo Alto City Council adopted a resolution proposing a Stormwater Management Fee of $13.65 per Equivalent Residential Unit (ERU) to replace the existing Storm Drainage Fee
9/9/16 Legal notices mailed
10/24/16 Protest hearing held as required (did not receive a majority protest)
2/24/17 Ballots mailed to property owners
4/11/17 Palo Alto property owners approve Stormwater Fee Ballot
4/17/17 City Council certification of election results
6/1/17 Effective date of new Stormwater Management Fee

# APPENDIX D: FUNDING PROGRAM BACKGROUND AND DETAILS

## a. CLEAN WATER STATE REVOLVING FUND

Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Assembly Bill 1471, Rendon), authorized $7.545 billion in general obligation bonds for water projects including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. The State Water Board is administering Proposition 1 funds for the following general project types: wastewater, water recycling, drinking water, storm water, and groundwater. Allocations include $260 million to the CWSRF Small Community Grant Fund, $625 million to the Water Recycling Funding Program, and $800 million to the Groundwater Sustainability Program.

### i. CWSRF Green Project Reserve

The GPR program has a principal forgiveness of 50% of actual GPR eligible costs or 75% of GPR eligible planning costs with a maximum loan forgiveness amount of $4.0 million.

## b. DRINKING WATER STATE REVOLVING FUND

Previously overseen by the Department of Public Health, the DWSRF program moved to the State Water Board as of July 2014. The State Water Board's Division of Financial Assistance administers the DWSRF Program. The DWSRF offers low interest rates (1.70% for 2017), with a 0% interest rate or principal forgiveness available to disadvantaged communities. Eligible projects include the development or protection of drinking water sources, which is where a stormwater capture project would be permissible.

## c. STORMWATER GRANT PROGRAM

Both the Proposition 84 and Proposition 1 funding cycles included allocations for planning grants. Proposition 84 allowed up to 10 percent of funds to be used to finance planning and monitoring necessary for the successful design, selection, and implementation of the SWGP projects, so the first round of Proposition 84 funding offered planning grants with a minimum of $100,000 and maximum of $1 million per project.

Proposition 1, Water Code section 79704, allowed up to ten percent of the SWGP Prop 1 grant funds ($20 million) for "…planning and monitoring necessary for the successful design, selection, and implementation of the projects authorized…" The allocated funds were intended to address the requirements of Stormwater Resource Plans, discussed in Chapter 2 of this report. The first round of Proposition 1 funding offered planning grants with a minimum of $50,000 and maximum of $500,000 per project.

Proposition 84 and Proposition 1 had a 20% and 50% funding match requirement for the implementation grants, respectively. In addition, each had a tiered reduction for disadvantaged communities to potentially reduce the match to 5%.

The Proposition 84 funds were awarded through two rounds of funding.

| Proposition 84 Stormwater Grant Program Round 1 Award Summary | |
|---|---|
| Total Applicants for Concept Proposal | 90 |
| Invitees for Full Proposal | 72 |
| Full Proposal Projects Awarded | 41 |
| Implementation Projects | 24 |
| Planning and Monitoring Projects | 18 |
| Region 1 Projects | 3 |
| Region 2 Projects | 5 |
| Region 3 Projects | 4 |
| Region 4 Projects | 8 |
| Region 5 Projects | 6 |
| Region 6 Projects | 1 |
| Region 7 Projects | 0 |
| Region 8 Projects | 4 |
| Region 9 Projects | 4 |
| Statewide/Other | 7 |
| | |
| Implementation: | |
| Implementation Funds Awarded | $39,760,961 |
| Grantee Match Funds | $15,280,331 |
| Total SWGP R1 Implementation Project Costs | $55,041,292 |
| Planning: | |
| Planning Funds Awarded | $8,944,906 |
| Grantee Match Funds | $1,684,263 |
| Total SWGP R1 Planning Project Costs | $10,629,169 |
| Date R1 Guidelines Adopted | February 17, 2009 |

| Proposition 84 Stormwater Grant Program Round 2 Award Summary | |
|---|---|
| Total Applicants for Concept Proposal | 117 |
| Invitees for Full Proposal | 41 |
| Full Proposal Projects Awarded | 27 |
| Region 1 Projects | 1 |
| Region 2 Projects | 5 |
| Region 3 Projects | 5 |
| Region 4 Projects | 7 |
| Region 5 Projects | 3 |
| Region 6 Projects | 2 |
| Region 7 Projects | 0 |
| Region 8 Projects | 2 |
| Region 9 Projects | 2 |
| | |
| Implementation: | |
| Implementation Funds Awarded | $38,773,008 |
| Grantee Match Funds | $16,004,532 |
| Total SWGP R1 Implementation Project Costs | $54,777,540 |
| Date R2 Guidelines Adopted | August 20, 2013 |

The Proposition 1 planning grant funding list was approved by the Division's Deputy Director on June 30, 2016, and the implementation grant funding list was approved by the Division's Deputy Director on December 1, 2016. Approximately $20 million of the Proposition 1 funds were awarded for planning grants and $80 million for implementation grants during Round 1 of the Stormwater Grant Program. Approximately $86 million will be awarded through Round 2, the final round of Proposition 1 funding. Grant application solicitations for Round 2 are expected to begin spring 2019.

| Proposition 1 Stormwater Grant Program Round 1 Award Summary | |
|---|---|
| Full Proposal Projects Awarded | 55 |
| Implementation Projects | 27 |
| Planning and Monitoring Projects | 28 |
| Region 1 Projects | 5 |
| Region 2 Projects | 7 |
| Region 3 Projects | 7 |
| Region 4 Projects | 12 |
| Region 5 Projects | 10 |
| Region 6 Projects | 6 |
| Region 7 Projects | 0 |
| Region 8 Projects | 4 |
| Region 9 Projects | 4 |
| | |
| Implementation: | |
| Implementation Funds Awarded | $105,335,409 |
| Grantee Match Funds | $182,282,949 |
| Total SWGP R1 Implementation Project | $287,618,358 |
| Planning: | |
| Planning Funds Awarded | $9,595,842 |
| Grantee Match Funds | $8,851,496 |
| Total SWGP R1 Planning Project Costs | $18,447,338 |
| Date R1 Guidelines Adopted | December 15, 2015 |

## d. Integrated Regional Water Management Grant Program

The IRWM Grant Program began in 2002 when the Regional Water Management Planning Act (SB 1672) was passed by the Legislature and developed collaboratively between the State Water Board and the Department of Water Resources. Since that time, Propositions 50, 84, and 1 have provided $1.5 billion to financially support and advance the IRWM grant program with Proposition 84 and 1 funding being directed entirely to the Department of Water Resources. Cities, counties, water districts, community groups, and nonprofit organizations across the state have worked with one another to organize and establish regional water management groups (RWMGs). These RWMGs have defined 49 IRWM regions that together cover 87 percent of the state's area and 99 percent of its population.

The current IRWM Grant Program, managed solely by the Department of Water Resources, includes funding for planning, disadvantaged community involvement, implementation, and companion grant programs that support sustainable groundwater planning and water-energy programs and projects.

Proposition 1 funding authorized $510 million in IRWM grant funds that were allocated to the 12 hydrologic region-based Funding Areas, ranging from $13 million for the Mountain Counties to $98 million for the Los Angeles area. A local cost share of not less than 50% of the total proposal cost is required.

### e. Urban Greening Program

Signed into law on September 14, 2016, SB 859 (Chapter 368, Statutes of 2016) authorized the expenditure of $1.2 billion in Cap and Trade revenues, also known as the Greenhouse Gas Reduction Fund (GGRF), for projects aimed to reduce GHG emissions. The California Natural Resources Agency was allocated $80 million to its Urban Greening Program specifically for green infrastructure projects that reduce GHG emissions and provide multiple benefits.

## f. 319(h) Nonpoint Source Grant Program

The 2018 CWA 319(h) NPS Grant Program had a minimum grant amount of $250,000 and maximum of $800,000 with a 25% match requirement.

Ineligible Projects include:

- Projects or activities required by or that implement an NPDES permit, including urban, area-wide stormwater programs covering discharges from an MS4, and general industrial and construction stormwater permits;
- Projects necessary to satisfy an enforcement or civil settlement or judicial order;
- Projects that connect individual septic system to a community sewer system;
- Projects in watersheds that lack one or more of the Nine-element Watershed-based plans; or
- Projects that are either entirely or primarily education and outreach. Education and outreach activities may be funded only as secondary components of the project.

## g. Hazard Mitigation Grant Program

The amount of HMGP funding available to the Applicant is based on the estimated total federal assistance, subject to the sliding scale formula outlined in Title 44 of the Code of Federal Regulations (CFR) section 206.432(b) that FEMA provides for disaster recovery under Presidential major disaster declarations. Based on the severe winter storms, flooding, and mudslides of 2016-17, FEMA declared major disaster areas within California (DR-4301, DR-4305, and DR-4308). Because of the declarations, Cal OES has identified that approximately $100-200 million will be made available through the HMGP.